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ACCOUNTING FOR EMPLOYEE FRINGE BENEFITS

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Scope: All campuses served by Louisiana State University (LSU) Office of Accounting Services

Effective: July 1, 2018. This FASOP supersedes and replaces all prior versions.

Purpose: To establish policies and procedures for the accounting of certain employee fringe benefits provided by the University for income and employment tax purposes in accordance with the Internal Revenue Code (IRS). LSU provides to various employees certain fringe benefits funded directly with University funds and indirectly through funding from affiliated support organizations, including, but not limited to, LSU Foundation, LSU Alumni Association and Tiger Athletic Foundation (TAF). Any reference to the "University" is intended to include LSU campuses and affiliated support organizations. As set forth in the Internal Revenue Code, certain of these fringe benefits are excluded from an employee's gross income and are not subject to social security, Medicare, federal employment taxes, and income tax withholding. Those fringe benefits not explicitly excluded from gross income are to be treated as income and as such are subject to social security, Medicare, and federal employment taxes, and income tax withholding. The procedures contained herein distinguish those fringe benefits to be included in an employee's gross income from those which are to be explicitly excluded. This document is not intended to determine under which circumstances the Univer

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6. Qualified Tuition Reduction – As set forth in the Internal Revenue Code, a reduction in tuition provided by an educational organization to its employees.

B. Benefits to be Included in an Employee's Gross Income

Those fringe benefits provided by the University which are not described in one of the categories listed in section A are to be included in an employee's gross income and are subject to all applicable employment taxes as well as income tax withholding. Such benefits include, but are not limited to:

1. Personal Use of University-Provided Automobile – The value of an employee's personal use of an automobile provided by the University must be included in the employee's income. A University-provided automobile is one which is owned or leased by the University, or owned or leased by a third party and made available for an employee's use, or owned or leased by the employee and for which the University is responsible for payments to purchase or lease the automobile. Each employee assigned a vehicle must file a monthly report with the Payroll Office. The standard form for reporting mileage is Accounting Services Form AS570, "Courtesy Car Declaration". The report must be received by the tenth day of the following

the number of days the vehicle is used to commute each month. The additional income will be calculated using the \$3 per day commuting valuation method as prescribed in the Internal Revenue Code. These employees may not use these vehicles for personal purposes other than for commuting or de minimis personal uses, such as a stop for a personal errand on the way between a business stop and the employee's home.

2. Reimbursement of Non-Business-Related Travel and Entertainment Expenses – In order for University-related travel expenses incurred by an employee and reimbursed by the University to be excluded from an employee's income as a working condition fringe benefit, such expenses must have a bona fide business purpose and the employee must substantiate the expenses. In order to be excluded from an employee's income, travel expenses for an employee's spouse or other individual traveling with the employee must also have a bona fide business purpose directly benefitting the University and must be substantiated by the employee. It should be noted that in the vast majority of cases, spouse-

6. Awards –

Attachment A

Taxable Income Calculation  
Annual Lease Value

When an employer provides a car to an employee that is available for the employee's personal use, that availability is considered to be a taxable fringe benefit. The regulations are the same, no matter if the car is owned by the University, or owned or leased by a third party (a dealership or LSU affiliated entity). When an individual is a control employee (comparable to a corporate officer or highly compensated employee in the for-profit world), the Annual Lease Value method must be used.

The IRS provides a table with the ranges of Fair Market Values and the related taxable income. The IRS table is based on a four-year lease term. At the beginning of the fifth year (and every four years thereafter), the annual lease value must be re-determined based on the Fair Market Value of the car on January 1 of that year.

The employee keeps a log of daily mileage – business and personal. The calculation of taxable income attributed to the car is based on his personal mileage only.

The calculation is as follows:

$$\text{Personal Mileage} / \text{Total Mileage} = \% \text{ Personal Use}$$

$$\text{Annual Lease Value} \times \% \text{ Personal Use} / 12 \text{ months} = \text{Monthly Income Attributed to Car Usage}$$

The monthly income amount is loaded into the fringe benefit system that feeds into the payroll system. The monthly income attributed to car usage is included in taxable income when payroll is processed so that the employee pays federal and state income taxes and any applicable employment taxes. The taxable income on the W-2 form includes the car usage amount.

Attachment B

IRS Annual Lease Value Table

Fair Market	Annual Lease Value	Fair Market Value	Annual Lease Value
\$ 0 – 999	600	22,000 – 22,999	6,100
1,000 – 1,999	850	23,000 – 23,999	6,350
2,000 – 2,999	1,100	24,000 – 24,999	6,600
3,000 – 3,999	1,350	25,000 – 25,999	6,850
4,000 – 4,999	1,600	26,000 – 27,999	7,250
5,000 – 5,999	1,850	28,000 – 29,999	7,750
6,000 – 6,999	2,100	30,000 – 31,999	8,250
7,000 – 7,999	2,350	32,000 – 33,999	8,750
8,000 – 8,999	2,600	34,000 – 35,999	9,250
9,000 – 9,999	2,850	36,000 – 37,999	9,750
10,000 – 10,999	3,100	38,000 – 39,999	10,250
11,000 – 11,999	3,350	40,000 – 41,999	10,750
12,000 – 12,999	3,600	42,000 – 43,999	11,250
13,000 – 13,999	3,850	44,000 – 45,999	11,750
14,000 – 14,999	4,100	46,000 – 47,999	12,250